

VZCZCXYZ0000
OO RUEHWEB

DE RUEHSO #0484 2601137
ZNR UUUUU ZZH
O 161137Z SEP 08
FM AMCONSUL SAO PAULO
TO RUEHC/SECSTATE WASHDC IMMEDIATE 8517
INFO RHEHNSC/NATIONAL SECURITY COUNCIL WASHDC IMMEDIATE
RUEHBR/AMEMBASSY BRASILIA PRIORITY 9649
RUEHRI/AMCONSUL RIO DE JANEIRO PRIORITY 8846
RUCPDO/USDOC WASHDC 3171

UNCLAS SAO PAULO 000484

SIPDIS

STATE INR/R/MR; IIP/R/MR; WHA/PD

DEPT PASS USTR

USDOC 4322/MAC/OLAC/JAFEE

E.O. 12958: N/A

TAGS: [KMDR](#) [OPRC](#) [OIIP](#) [ETRD](#) [XM](#) [XR](#) [BR](#)

SUBJECT: GLOBAL ECONOMY; BOLIVIA

1. Worse and Worse

Editorial in liberal Folha de S. Paulo (09/16) says: "And here we are, with Paulson [Secretary of Treasury] apparently believing that playing Russian roulette with the U.S. financial system was the better option." The phrase, by economist Paul Krugman, describes with acuteness the implicit risks of the newest strategy of Bush's administration in trying to control the crisis. ... Criticized by having helped other companies threatened by the crisis, by transferring private damages and risks to the tax payer, the Bush's administration changed the strategy not only for political reasons. Behind this action also is the intention of forcing the drying out of the financial sector, making it free of institutions, like some investment banks, responsible for speculation, both dense and uncontrolled, which originated the crisis. The White House message that there will not necessarily be help to the "losers," increases the panic among the sellers. The U.S. government's action this past weekend seemed to be based on the conviction that it is possible to control the rhythm and distribution of losses in a huge crisis like this, by emerging from its ruins a stronger system. This is a risky option. If this hypothesis is not confirmed, the economic and social costs of this brutal collapse will tend to be even bigger."

2. The Worse is Yet to Come

Lead editorial in center-right O Estado de S. Paulo (09/16) comments: "The bankruptcy of the U.S. fourth major investment bank, Lehman Brothers, is the prediction of major difficulties for the world economy and the hardest test for the Brazilian economy since the exchange crisis of January 1999. ... Its worst effects are yet to come... Today there are few certainties and none of them seem to be tranquilizing: the financial crisis is not over, it may get worse and its worse effects are yet to come. Brazil had never been so well prepared to face an external shock. .. But invulnerability does not exist and, besides, the dimension of the crisis is unknown. It is not time for boastfulness, but to maintain the country prepared for possible stronger shocks. Fiscal prudence must be a fundamental part of this preparation."

3. Leave Bolivia Alone

Columnist Marcos Nobre wrote in liberal Folha de S. Paulo (09/16): "There is nothing more humiliating for a country than not to be seriously taken. And this is what is happening to Bolivia. .. The Bolivian crisis is certainly more serious than the Argentinean. But what calls our attention is that nobody listens to what the Bolivian government has to say. And President Evo Morales exhausts himself by saying that he does not want or need help. To accept the help would mean to recognize that there is in fact an uncontrolled situation. It would mean to accept, as a last resort, that there is not a government capable of negotiating an agreement to put an end to the conflict. Evo Morales understands that he would totally lose

his authority. ...Bolivia knows how to commit its mistakes by itself. To send the U.S. Ambassador home, for example, was one of the childish and unreasonable attitudes of recent times. But no country that praises democracy has little to gain by accepting interventionist proposals."

¶4. Tension will be constant without separation from Bolivia

Editorial in economic newspaper Valor Economico (09/16) says:
"...The immaturity of Bolivian democracy, that seems to have repeated once again the tradition of flirting with the abyss and then slightly moving back, demonstrates the need of creating alternatives to the major supplier of natural gas to the Brazilian economy.... With the lack of cheaper and more viable options, the country [Brazil] will be condemned to periodic scares due to the chronic instability of its Andean neighbor. And what the recent conflicts reveal, in a worrisome way, is that even being contrary to their own interests; part of Bolivian society is willing to use Brazil and its gas dependency as hostage of their internal disputes. ...Brazil, as a neighbor country, client and regional hegemonic power, has a role to play in the Bolivian crisis. But,... as Ambassador Rubens Ricupero said, one can only help those who accept to be helped. While the Bolivian people show more effort in deepening the breaches of the country rather than fixing them, Brazil cannot stop looking for scenarios that permit the country to move away from the turbulence of its unstable neighbor."
White